"The City of Heritage"

ULUNDI MUNICIPALITY

ULUNDI MUNICIPALITY FINAL BUDGET AND MEDIUM TERM REVENUE

AND

EXPENDITURE FRAMEWORK (MTREF) COMMENCING IN 2013/2014 30 May 2013

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1.MAYOR'S REPORT

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BY HER WORSHIP THE MAYOR OF ULUNDI, CLLR N.J. MANANA. AT THE COUNCIL CHAMBER OF THE ULUNDI MUNICIPAL COUNCIL ON 30 MAY 2013

First of all Honourable Speaker I would like to thank you for this opportunity I have been offered. This is the opportunity which I think all of us need to use to the best of our ability for the benefit of Ulundi Community that we serve. Honourable Speaker, Colleagues, I am saying this because I am expecting full co-operation specifically from the side of Honourable Councillors and that of the Administration in shaping and subsequently implementing the meaningful Budget of this Municipality for 2013/2014 Financial Year.

I also wish to remind you that most of the areas within the jurisdiction of Ulundi Municipality are rural underdeveloped areas which are heavily stricken by poverty as a result of unemployment and HIV Aids epidemic. In other words it is evident that we are still faced with huge challenges that require quite a sizeable cash injection each and every financial year to overcome the situation **BUT** what is sad Honourable Speaker and Colleagues, is that even if we try our level best to apply an economic principle (i.e. achieving maximum output with minimum input) in implementing the Budget for service delivery we are being hindered by the following challenges.

(a) Our 24 Wards are scattered and most of them are rural where infrastructure is still a challenge and that makes it very difficult to this Municipality to equally distribute the service delivery.

(b) While this Municipality consists of 24 Wards but there is no tax base since, in terms of the current Municipal Property Rates Act and Rates Policy, property rates are not levied on residential properties in rural areas. Currently we do not rate the government and business entities that are located in the ITB land.

(c) In the so called urban area within Ulundi Municipality there are no factories where the Municipality can maximise the collection of property rates and other Municipal services.

(d) The Infrastructure funding that we get annually from the Government through MIG (Municipal Infrastructure Grant) programme is very minimal and that is why there are still backlogs in our infrastructure.

(e) The Equitable Share Grant which is received from the Government to subsidise the operational budget is substantially less since the population statistics that are being factored in, in the formula to determine what is due to Ulundi Municipality as promulgated last year indicate a reduction in population figures. 6% of this grant must further subside Councillors allowances within the Municipality. I must further state, Honourable Speaker and Colleagues that ever since I became a politician in this sphere of Government I have been and I am still viewing the payment of Councillors remuneration out of Municipal coffers as an unfunded mandate taking into consideration that 92% of their allowances must be funded by the Municipality. I have made some contributions, though, in different forums and workshops which I was invited to, that the Government should consider the option of having Councillors remuneration funded by the National fiscus so that the saving are utilized entirely for services delivery.

(f) No matter what fiscal disciplinary measures we implement to maximise electricity revenue, the government sanctioned disparity in terms of an annual percentage of increase Nersa grants to Eskom as opposed to a percentage granted to municipalities that has perpetually reduced the income realised through the sale of electricity, coupled with the Seasonal Charge that Eskom is for ages charging Ulundi Municipality when the municipality was only granted a permission by Nersa to levy this charge on certain businesses, the ageing electrical infrastructure that requires as we hereby do in this budget, the rampant tempering by a majority of residential customers and a meagre government electricity subsidy.

(g) The Mig allocation per annum as again Gazetted in DORA for 2013/2014 by Government makes an outcry by especially rural communities an unfortunate situation that will remain with us for many years to come.

(h) Generally in South Africa there is no awakening to a realisation that unless the country service their debts municipalities will always battle to overcome cashflow challenges.

Whichever Councillor is elected in many years to come, no matter how good he/she is will once campaigning is over be confronted by a reality that with a little infrastructure grant municipalities receive and voters who are happy to utilise services but always feel aggrieved to pay for those services, very little can be achieved in terms of developing the infrastructure and in terms of institutional growth. I am one of the longest serving Councillors, so I am living testimony to this unfortunate situation.

DEBTORS

Currently our debtors books reflect a total outstanding amount of R99 million. However I wish to emphasise that the following steps have already been taken in order address this situation:

a) R3, 6 million is being owed by the Human Settlement Department.
b) R17 million is being owed by the Ingonyama Trust Board and in this instance it was resolved in the meeting between Ulundi Municipality and Ingonyama Trust Board in August 2011 that all properties in question are transferred to Ulundi Municipality. The process of transferring these properties has already been initiated.
c) R12 million represents interest and penalties charged on late payments.
d) The bulk of the debt is informed by other categories; such as vacant land, property rates and services owed by sectors other than government.

The purpose of making the above analysis Honourable Speaker and Colleagues is to indicate that this Municipality has already started cleaning its debtor's books so that correct figures are disclosed in the Annual Financial Statements.

ELECTRICITY

Ulundi Municipality is still licensed to distribute Electricity after bulk purchases from Eskom. I wish to point out Honourable Speaker and Colleagues that while we are addressing the problem of electricity theft orchestrated by some Ulundi residents by installing new technology prepaid metres. As alluded to above, Eskom tariffs have increased considerably such that during cold seasons the invoice amounts triple and that has had a negative impact on our cash flow; however through Council initiated measures under the auspices of Cashflow Management the tide will slowly change in our favour.

As alluded to above, NERSA had ruled that municipalities charge a seasonal tariff during the first quarter of the financial year **(JULY, AUGUST & SEPTEMBER**). May I also mention Honourable Speaker that our electricity infrastructure is being given urgent attention, as stated, as it is very old and that is why some sectors of our community; especially at Mashona and in other areas experience outages. This repair work that requires millions will be done internally.

This Council is, given the grants being received annually from DoE with the co-operation of Eskom, reticulating the households in Ward 1 and shall through the 2013/2014 allocation continue to do so. The allocation for the year under review is R8 million. I am aware that as Councillors we have the challenge of explaining to the communities who have rightly become impatient and have in some instances resorted to vandalising the poles and cables because they feel overlooked, like at Nhlazatshe. We have as a municipality also removed certain areas from our Schedule 6 list and handed them over to Eskom for speedy reticulation.

We as the municipality has resorted to appointing many companies, notably Africa Futel to source funding for alternative energy in an effort to provide an interim remedy to those communities to whom electricity reticulation is not an immediate possibility. The success of the application being made to Nersa will also benefit customers with geysers whose electricity bill will be reduced. Yes this has taken longer than we anticipated, but we are still optimistic that we will succeed.

ROADS

Honourable Speaker and Colleagues I am aware of the growing concerns about our roads that are in a bad condition within Ulundi town and let alone in rural areas where everything comes to a halt during heavy rains. I wish to point out that the roads in rural areas are a mandate of DoT. We have however in our planning targeted the Mpungamhlophe Road whose development will take place, although not in the upcoming financial year. We shall continue to single out rural roads for targeting. Since this is a draft budget, we have an opportunity within Portfolio Committees to unravel this matter and to suggest a direction as to how possible can we as a municipality, without taking away the pre determined allocations meant for other areas, spread the effect of little allocations that we receive per annum. I hope come the end of May 2013 when we shall approve the final budget Portfolio Committees shall have embarked on this exercise.

Currently the prioritised projects to be funded through the Municipal Infrastructure Grant (MIG) of about R27 million to be received in 2013/2014 financial year is mainly for Unit C Roads, Mbangayiya Roads phase two, Babanango Community Hall, Renovations of Unit A and B Halls and Multi-purpose hall renovations. I repeat that these projects are Council priorities resolved previously. These projects are registered with Mig. Currently the 2014/2015 projects to be funded

through Mig are Unit D Access Roads, Babanango Sports Complex and Mahlabathini Sports Complex. Portfolio Committees may thumb suck new projects that are not contained in the IDP, but may move projects in the IDP up the list where possible, I repeat where possible, where business plans and registrations can happen timely, such projects will be prioritised. And more funding will be requested from Mig. This exercise is subject to the availability of funding.

Honourable Speaker and Colleagues, with special reference to the Final Budget for 2013/2014, which I am now presenting, I wish to point out that a conservative approach has been applied when preparing same, since experience has taught us that our cash flow projections should be informed by the manner in which we prepared our budget. In this particular instance we should firstly ask ourselves how much we expect to have before we ask how much we **WANT** to spend. Therefore, Honourable Speaker allow me to mention the following Revenue Sources from where we are expecting collection of Revenue:

REVENUE SOURCE	**BUDGETED AMOUNT**
Property Rates	R25 100 000.00
Refuse	R4 672 348.00
Electricity	R60 851 405.00
Learners licences and traffic fines	R7 667 726.00
Other	R641 500.00
TOTAL	**R98 932 979.00**

REVENUE FROM GRANTS:

GRANT	AMOUNT
Equitable share	R87 088 000.00
MSIG	R890 000.00
MIG	R27 381 000.00
Financial Management Grant (FMG)	R1 550 000.00
Electrification Programme	R8 000 000.00
Expanded Public Works Programme	R1 000 000.00
Provincilisation of libraries	R139 000.00
Community Library Services	R706 000.00
Sports & Recreation	R150 000.00
Tourism grant	R50 000.00
TOTAL	**R126 695 400.00**

Furthermore, Honourable Speaker, I would like to highlight some of general Expenditure items under Operational Budget that have been budgeted for. I wish to stress that these are highlights the expenditure items are contained in the budget estimates and Councillors in Portfolio Committees will dissect the lists before the final budget is approved:

GENERAL EXPENDITURE

EXPENDITURE	AMOUNT
Mayoral function	R1 300 000.00
Ward committees (R500 p.p)	R1 440 000.00
Indigent burial	R1 000 000.00
HIV and Aids	R538 500.00
Sport and Mayoral cup	R1 148 000.00
Youth affairs	R60 000.00
Arts and culture	R200 000.00
TOTAL	**R5 686 500.00**

REPAIRS AND MAINTENANCE

Roads	R1 324 790.00
Electricity	R5 8107 012.00

In conclusion Honourable Speaker and Colleagues I wish to mention that the total budgeted salary cost for both employees and Councillors is R77 918 254.00 and that amounts to 35%. I remind this Council that currently all vacant positions are frozen.

This is a final budget,Portfolio Committees have bring back their inputs and which had been incorporated in this budget. With those words I wish to thank all of you for this opportunity. May the Almighty Lord bless you abundantly

1. **BUDGET RESOLUTIONS**

Item ______ **5/1/1**
FS

APPROVAL OF FINAL MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) BUDGET FOR 2013/2014: 2014/2015 AND 2015/2016

BACKGROUND

Municipal Finance Management Act No. 56 of 2003, Section 24 of Chapter 4.

Approval of Annual Budgets

1. The Municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget.
2. An annual budget –
   a. Must be approved before the start of the budget year;
   b. Is approved by the adoption by the council of a resolution referred to in Section 17 (3) (a) (i); and
   c. Must be approved together with the adoption of resolutions as may be necessary –
      i. Imposing any municipal tax for the budget year;
      ii. Setting any municipal tariffs for the budget year;
      iii. Approving measurable performance objectives for revenue from each source and for each vote in the budget;
      iv. Approving any changes to the municipality's integrated development plan; and
      v. Approving any changes to the municipality's budget-related policies.
3. The Accounting Officer of a Municipality must submit the approved annual budget to the National Treasury and the relevant Provincial Treasury.

COMMENTS: MUNICIPAL MANAGER

Recommendations are supported.

COMMITTEE'S RECOMMENDATIONS

1. **THAT** Executive and Finance Committee approves the 2013/2014, 2014/2015 and 2015/2016 Draft Medium Term Revenue and Expenditure Budget totalling R223 686 979.00; R240 185 762.00 and R279 149 274.00 respectively.

   THAT Councils tariffs be increased with effect from 01 July 2013 as follows:

- Electricity tariffs 7% as approved by NERSA
- Refuse by 5.6%.
- Rates charges by 5.6%.
- Other miscellaneous tariffs by 5.6%.

2. **THAT** the capital estimates for 2013/2014 be approved as follows:

Expenditure to be funded internally	R 580 000.00
MIG Funding	R27 381 000.00
Electrification Programme	R 8 000 000.00
TOTAL	**R35 961 000.00**

3. **THAT** Executive and Finance Committee notes that the budget will be submitted to Provincial and National Treasury in accordance with Section 21 of the Municipal Budget and Reporting Regulations.

4. **THAT** no capital expenditure be incurred which is to be funded from Councils internal funds except the one specified which is subject to the improvement in the Council's cash flow position.

5. **THAT** employee related costs be increased by 6.85% as informed by latest MFMA budget circular number 67 as prescribed by National Treasury.

6. **THAT** Section 56 and 57 Managers salaries and allowances be increased by 5.6% which is in line with inflation rate for 2013/2014 as informed by MFMA budget circular number 67 as prescribed by National Treasury.

7. **THAT** the Electrical Division becomes an independent Business Unit, with the HOD for Technical Services bearing a responsibility to manage both income and expenditure. To this end the Electrical Division bears a responsibility to collect an amount of R68 851 405.00 in order to successfully discharge the anticipated expenditure of R67 715 290.00 and revenue hereof to be ring fenced and invested in a separate Call Account.

8. **THAT** the Business Unit principle be introduced to Protection Services in that the anticipated expenditure of R21 512 930.00 projected for Protection Services be funded as follows:

	Amount	**Source of funding**
Salaries	11 499 630	Equitable share
Private security	6 136 000	Equitable share
General expenditure	3 877 300	Protection Services
Total	**21 512 930**	

The Business Unit bears a responsibility to collect an amount of R7 667 726.00 in order to fund general expenses and to partially contribute to other expenses.

3.EXECUTIVE SUMMARY

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to allcommunities.

The municipality's business and service delivery priorities were received as part of this year's planning and budget process. Where appropriate, funds were transferred from low to high priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

The budget/IDP process occurred according to the budget timetable approved by Council in June 2012. This ensured compliance with the LG: MFMA and subsequent circulars in the preparation and approval of the multi-year budget/IDP.

The Budget and Medium Term Revenue and Expenditure Framework (MTREF) was also prepared taking cognizance of the contents of the Local Government: Municipal Finance Management Act No 56 of 2003, Circular No. 66 and 67 and the LG:MFMA Budget Formats Guide received from National Treasury.(version 2.5)

The main challenges experienced during the compilation of the 2013/2014 Budget and MTREF can be summarized as follows:

• The ongoing difficulties in the national and local economy;

• Aging roads and electricity infrastructure;

• The need to reprioritize projects and expenditure within the existing resource given the cash flow realities and declining cash position of the municipality;

• The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable – as there will be a point where services will no longer be affordable;

• Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies.But a resolution was taken to freeze all vacant posts except for the critical ones.

The following budget principles and guidelines directly informed the compilation of the 2013/2014 Budget and MTREF:

• The 2012/2013 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2013/2014 annual budget;

• Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk electricity. In addition, tariffs need to address infrastructure backlogs;

• There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/2014 Budget and Medium-term Revenue and Expenditure Framework:

	2013/2014	2014/2015	2015/2016
REVENUE	R 22 3806 979	R 240 312 292	R 279 289 903
EXPENDITURE	R 245 753 419	R 254 248 873	R 279 273 121
SURPLUS(DEFICIT)	(R 43 696 962)	(R 35 143 777)	(R 20 377 674)

5. OVERVIEW OF ANNUAL BUDGET PROCESS

5.1 Process to prepare the budget

The budget and IDP process occurred according to the budget timetable approved by Council in August 2012. The Budget and MTREF was also prepared taking cognizance of the contents of the LG: MFMA, Act No. 56 of 2003, Circular No.58 and the LG:
MFMA Budget Formats Guide received from National Treasury.

5.2 Service Delivery and Budget Implementation Plan

Section 1 of the Local Government: Municipal Finance Management Act (No.56 of 2003) defines the SDBIP as:
" a detailed plan approved by the mayor of a municipality in terms of section 53 (1)(c)(ii) for implementing the municipality's delivery of services and the execution of its annual budget and which must include (as part of the top-layer) the following:
(a) projections for each month of-
(i) revenue to be collected, by source; and
(ii) operational and capital expenditure, by vote;
(b) service delivery targets and performance indicators for each quarter".

The municipal manager is responsible for the preparation of the SDBIP, which must be legally submitted to the mayor for approval once the budget has been approved by the council (around end-May or early-June). However, the municipal manager
should start the process to prepare the top-layer of the SDBIP no later than the tabling of the budget (around March or earlier) and preferably submit a draft SDBIP to the mayor by 1 May (for initial approval). Once the budget is approved by the Council, the municipal manager should merely revise the approved draft SDBIP, and submit for final approval within 14 days after the approval of the budget.

The mayor should therefore approve the final SDBIP and performance agreements simultaneously, and then make the SDBIP and performance agreement of the municipal manager public within 14 days, preferably before 1 July. Note that it is only the top layer (of high-level) detail of the SDBIP that is required to be made public. It is the output and goals made public in the SDBIP that will be used to measure performance on a quarterly basis during the financial year. Note

that such in-year monitoring is meant to be a light form of monitoring. The council should reserve its oversight role over performance at the end of the financial year, when the mayor tables the annual report of the municipality.

The in-year monitoring is designed to pick up major problems only, and aimed at ensuring that the mayor and municipal manager are taking corrective steps when any unanticipated problems arise. The SDBIP serves a critical role to focus both the administration and council on outputs by providing clarity of service delivery expectations, expenditure and revenue requirements, service delivery targets and performance indicators.

The SDBIP provides the vital link between the mayor, council (executive) and the administration, and facilitates the process for holding management accountable for its performance. The SDBIP is a management, implementation and monitoring tool that will assist the mayor, councilors, municipal manager, senior managers and community. A properly formulated SDBIP will ensure that appropriate information is circulated internally and externally for purposes of monitoring the execution of the budget, performance of senior management and achievement of the strategic objectives set by council. It enables the municipal manager to monitor the performance of senior managers, the mayor to monitor the performance of the municipal manager, and for the community to monitor the performance of the municipality.

The SDBIP should therefore determine (and be consistent with) the performance agreements between the mayor and the municipal manager and the municipal manager and senior managers determined at the start of every financial year and approved by the mayor. It must also be consistent with outsourced service delivery agreements such as municipal entities, public-private partnerships, service contracts and the like.

6. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

KZN266 Ulundi - Supporting Table SA7 Measureable performance objectives

Description	Unit of measurement	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Public Works: Roads and Stormwater										
Function - Roads										
Sub-function - Eradication of Backlogs										
Reduce roads backlogs	Rands	0.2%	0.0%	2.2%	0.0%	0.0%	0.0%			
Sub-function - Roads Maintained										
Surfaced roads resurfaced/rehabilitated	Rands	9.8%	10.0%	39.0%	40.0%	40.0%	40.0%			
Sub-function - Roads for growth										
New roads to be constructed	Rands	88.9%	90.0%	49.8%	60.0%	60.0%	60.0%			
Function - Stormwater										
Sub-function - Reduction of backlog										
Stormwater drainage to reducebacklogs	Rands	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Sub-function - Stormwater for growth										
Stormwater drainage to stimulate growth	Rands	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Public Works: Energy and Electricity										
Function - Electricity										
Sub-function - Provide higher levels of electricity										
Houses electrified to eradicate backlogs	Rands	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Sub-function - New connections										
Completed and Occupied houses electrified to cater for growth	Rands	100.0%	80.0%	0.0%	220.0%	220.0%	220.0%			
Sub-function - Access to alternative energy access										
Areas provided with access to alternativeenergy sources	Rands	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Sub-function - Provide pulic lighting										
New street lights as per ward	Rands	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Sub-function - Provide public lighting										
High masts lights per ward	Rands	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			

Sub-function - Maintain electricity infrastructure										
Electricity repairs and maintanance	Rands	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Vote 3 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Function 2 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
Vote 4 - vote name										
Function 1 - (name)										
Sub-function 1 - (name)										
Insert measure/s description										
Sub-function 2 - (name)										
Insert measure/s description										
Sub-function 3 - (name)										
Insert measure/s description										
And so on for the rest of the Votes										

1. Include a measurable performance objective for each revenue source (within a relevant function) and each vote (MFMA s17(3)(b))

2. Include all Basic Services performance targets from 'Basic Service Delivery' to ensure Table SA7 represents all strategic responsibilities

3. Only include prior year comparative information for individual measures where relevant activity occurred in that year/s

KZN266 Ulundi - Entities measureable performance objectives

Description	Unit of measurement	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Entity 1 - (name of entity)										
Insert measure/s description										
Entity 2 - (name of entity)										
Sub-function - Roads for growth										
Entity 3 - (name of entity)										
Sub-function - Roads for growth										
And so on for the rest of the Entities										

1. Include a measurable performance objective as agreed with the parent municipality (MFMA s87(5)(d))

The above table shows how budget has been spent during financial year 2012/2013.

7. OVERVIEW OF BUDGET – RELATED POLICIES

This section gives a broad overview of the budget policy framework and highlights the amended policies to be approved by Council Resolution.

The following policies were reviewed during 2012/2013 financial year and were tabled with the final budget for 2013/2014.

1 Assets policy

2 Banking policy

2. Credit control policy

3. Petty cash policy

4. Supply chain management policy

5. S & T policy

6. Budget management policy

7. Indigent policy

8. OVERVIEW OF BUDGET ASSUMPTIONS

7.1 In January 2010, Cabinet adopted 12 outcomes within which to frame public service delivery priorities and targets. Cabinet ministers have signed performance agreements linked to these outcomes. More detailed delivery agreements have since been developed to extend targets and responsibilities to national and provincial departments, agencies and municipalities.
The municipality is expected to take the 12 outcomes into consideration when reviewing the IDP and developing the annual Budget for the 2013/2014 MTREF.

Hereunder follows the 12 outcomes, together with examples of areas where the municipality have a role to play in either contributing directly to the realization of the outcomes or facilitating the work of national and provincial departments in realizing them.

12 Outcomes of Government-role of Local Government

No Description Role of Local Government

1 Improve the quality of basic education • Facilitate the building of new schools by:

- Participating in needs assessments
- Identifying appropriate land
- Facilitating zoning and planning processes

• Facilitate the eradication of municipal service backlogs in schools by extending appropriate bulk infrastructure and installing connections

2 Improve health and life expectancy • Many municipalities perform health functions on behalf of provinces

• Strengthen effectiveness of health services by specifically enhancing TB treatments and expanding HIV and AIDS prevention and treatments.

• Municipalities must continue to improve Community Health Service infrastructure by providing clean water, sanitation and waste removal services.

3 All people in South Africa protected and feel safe

• Facilitate the development of safer communities through better planning and enforcement of municipal by laws.

• Direct the traffic control function towards policing high risk violations-rather than revenue collection

• Metro police services should contribute by:

- Increasing police personnel
- Improving collaboration with SAPS
- Ensuring rapid response to reported crimes

4 Decent employment through inclusive economic growth

• Create an enabling environment for investment by streamlining planning application processes.

• Ensure proper maintenance and rehabilitation of essential services infrastructure.

• Ensure proper implementation of the EPWP at municipal level

• Design service delivery processes to be labour intensive

• Improve procurement systems to eliminate corruption and ensure value for money

• Utilize community structures to provide services

5 A skilled and capable workforce to support inclusive growth

• Develop and extend intern and work experience programmes in municipalities.

• Link municipal procurement to skills development initiatives

6 An efficient, competitive and responsive economic infrastructure network

• Ring-fence water, electricity and sanitation functions so as to facilitate cost-reflecting pricing of these services

• Ensure urban spatial plans provide for commuter rail corridors, as well as other modes of public transport

• Maintain and expand water purification works and waste water treatment works in line with growing demand

• Cities to prepare to receive the devolved public transport function

• Improve maintenance of municipal road networks.

7 Vibrant, equitable and sustainable rural communities and food security

• Facilitate the development of local markets for agricultural produce
• Improve transport links with urban centres so as to ensure better economic integration
• Promote home production to enhance food security
• Ensure effective spending of grants for funding extension of access to basic services.

8 Sustainable human settlements and improved quality of household life

• Cities must prepare to be accredited for the housing function.
• Develop spatial plans to ensure new housing developments are in line with national policy on integrated human settlements
• Participate in the identification of suitable land for social housing.
• Ensure capital budgets are appropriately prioritized to maintain existing services and extend services.

9 A response and, accountable, effective and efficient local government system

• Adopt IDP planning processes appropriate to the capacity and sophistication of the municipality
• Implement the community work programme
• Ensure ward committees are representative and fully involved in community consultation processes around the IDP, budget and other strategic service delivery issues.
• Improve municipal financial and administrative capacity by implementing competency norms and standards and acting against incompetence and corruption.

10 Protection and enhancement of environmental assets and natural resources

• Develop and implement water management plans to reduce water losses.
• Ensure effective maintenance and rehabilitation of infrastructure
• Run water and electricity saving awareness campaigns
• Ensure proper management of municipal commonage and urban open spaces
• Ensure development does not take place on wetlands.

11 A better South Africa, a better and safer Africa and world

• Role of Local Government is fairly limited in this area. Must concentrate on:

- Ensuring basic infrastructure is in place and properly maintained.
- Creating an enabling environment for investment.

12 A development-orientated public service and inclusive citizenship

• Continue to develop performance monitoring and management systems.
• Comply with legal financial reporting requirements
• Review municipal expenditures to eliminate wastage
• Ensure councils behave in ways to restore community trust in Local Government.

a. The following budget assumptions have a major influence on the annual budget:

• It will take some time for the economic upturn to flow through to increased municipal revenues and better cash flows.
• The revenue stream of the Council will stay under pressure for the next three to four quarters in 2013.
• The increased high cost to move waste from the refuse transfer stations, to the regional refuse site.
• The excessive increases in the tariffs of bulk electricity purchases in the next three budget years, are putting pressure on the Council's draft operating expenditure budget.
• The increases in property rates and other tariffs are likely to be counter productive, resulting in higher levels of non payment and increased bad debts.

9. Overview of Budget funding

9.1 Medium term outlook: operating revenue

The following table is a breakdown of the operating revenue and operating expenditure 2013/2014

REVENUE		EXPENDITURE	
EQUITABLE SHARE	R 87 088 000.00	EMPLOYEE BENEFITS & COUNCILLOR ALLOWANCES	R 77 511 000.00
FMG	R 1 550 000.00	BULK PURCHASES	R 45 940 000.00
MSIG	R 890 000.00	CONTRACRED SERVICES	R 50 162 000.00
EPWP	R1 000 000.00	REPAIRS & MAINTAINANCE	R 6 322 000.00
PROVINCIALISATION OF LIBRARIES	R706 000.00	GENERAL EXPENSES	R 129 678 022.00
COMMUNITY LIBRARY	R 139 000.00		
SERVICE CHARGES	R 79 294 253.00		
OTHER REVENUE	R 6 208 500.00		
TOTAL	**R 176 875 753**	**TOTAL**	**R 309 613 022**

Our budget is mainly funded by government grants which amounts to R133 412 500 & own revenue from service charges of R79 294 253 resulting to a total budget of R212 706 753.This table exclude the capital expenditure of R27 381 000 from MIG and R 8 000 000 from DME.

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its operational revenue from the provision of goods and services such as electricity, and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc)

The revenue strategy is a function of key components such as:

• Growth in the municipality and economic development;

- Revenue management and enhancement;
- Achievement of a **90** per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirement;
- The Property Rates Policy in terms of the Municipal Property Rates Act,2004 (Act 6 of 2004)(MPRA), and
- The ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2013/2014 MTREF on the different revenue categories are :

-Electricity charges subject to NERSA final approval

-5.6% on all other service charges

KZN266 Ulundi Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Funding measures	-	-										
Cash/cash equivalents at the year end - R'000	18(1)b	1	2,614	498	1,047	93,780	103,771	103,771	103,771	238,157	477,545	734,857
Cash + investments at the yr end less applications - R'000	18(1)b	2	(293,358)	(239,940)	(218,752)	24,398	23,396	23,356	23,314	32,205	30,603	32,382
Cash year end/monthly employee/supplier payments	18(1)b	3	0.3	0.0	0.1	5.5	6.2	6.2	6.2	14.8	28.1	41.0
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	254,638	(37,177)	(208,433)	(168,871)	(165,529)	(165,529)	(165,529)	(96,986)	(105,224)	(105,988)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	18.0%	(4.6%)	13.3%	(5.2%)	(6.0%)	(6.0%)	(8.9%)	(0.7%)	(1.1%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	195.6%	201.8%	234.5%	17.4%	17.1%	17.1%	17.1%	80.0%	79.2%	79.6%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	15.1%	0.0%	90.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital payments % of capital expenditure	18(1)c;19	8	134.5%	137.2%	135.6%	(97.5%)	(97.5%)	(97.5%)	(97.5%)	(101.0%)	(110.7%)	(97.2%)
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	(431537.1%)	(1149829.8%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								100.0%	94.5%	82.8%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	8.3%	(87.7%)	879.3%	0.0%	0.0%	0.0%	(65.2%)	5.4%	5.4%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	(100.0%)	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	0.6%	1.2%	1.5%	2.6%	2.5%	2.5%	1.6%	2.3%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	48.1%	18.1%	7.4%

Supporting indicators	-	-	-	-								
% incr *total service charges (incl prop rates)*	18(1)a			24.0%	1.4%	19.3%	0.8%	0.0%	0.0%	(2.9%)	5.3%	4.9%
% incr Property Tax	18(1)a			24.6%	(1.6%)	(47.6%)	0.0%	0.0%	0.0%	16.6%	5.3%	4.9%
% incr Service charges - electricity revenue	18(1)a			22.3%	(1.3%)	71.0%	1.1%	0.0%	0.0%	2.4%	5.3%	4.9%
% incr Service charges - water revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - sanitation revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - refuse revenue	18(1)a			51.5%	3.4%	131.7%	0.0%	0.0%	0.0%	(56.9%)	5.3%	4.9%
% incr in Service charges - other	18(1)a			(33.9%)	282.2%	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total billable revenue	18(1)a		54,342	67,262	68,489	81,565	82,174	82,174	82,174	79,594	83,812	87,922
Service charges			53,931	66,876	67,797	80,855	81,464	81,464	81,464	79,124	83,316	87,400
Property rates			23,486	29,255	28,794	15,100	15,100	15,100	15,100	17,600	18,532	19,441
Service charges - electricity revenue			26,583	32,517	32,110	54,913	55,522	55,522	55,522	56,851	59,865	62,798
Service charges - water revenue			–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue			–	–	–	–	–	–	–	–	–	–
Service charges - refuse removal			2,987	4,525	4,680	10,842	10,842	10,842	10,842	4,672	4,920	5,161
Service charges - other			876	579	2,214	–	–	–	–	–	–	–
Rental of facilities and equipment			410	386	692	710	710	710	710	470	495	522
Capital expenditure excluding capital grant funding			(0)	0	0	–	–	–	–	–	–	–
Cash receipts from ratepayers	18(1)a		118,405	149,141	177,297	15,100	15,100	15,100	15,100	68,252	71,938	75,822
Ratepayer & Other revenue	18(1)a		60,534	73,888	75,593	86,666	88,075	88,075	88,075	85,265	90,836	95,290
Change in consumer debtors (current and non-current)			(72,695)	5,525	(63,493)	336,808	336,808	336,808	336,808	(315,367)	1,639	1,728
Operating and Capital Grant Revenue	18(1)a		69,313	84,811	92,102	116,582	117,582	117,582	117,582	126,754	130,326	142,361
Capital expenditure - total	20(1)(vi)		16,642	27,009	20,913	34,700	34,700	34,700	34,700	35,381	34,019	40,853
Capital expenditure - renewal	20(1)(vi)		–	–	–	–	–	–		17,025	6,174	3,011
Supporting benchmarks												
Growth guideline maximum			6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
CPI guideline			4.3%	3.9%	4.6%	5.0%	5.0%	5.0%	5.0%	5.4%	5.6%	5.4%
DoRA operating grants total MFY										90,528	103,891	131,009
DoRA capital grants total MFY										35,381	34,019	40,853
Provincial operating grants										845		

Provincial capital grants										
District Municipality grants								50		
Total gazetted/advised national, provincial and district grants								126,804	137,910	171,862
Average annual collection rate (arrears inclusive)										
DoRA operating										
FMG								1,550	1,600	1,650
EQUITABLE SHARE								87,088	101,357	128,392
MSIG								890	934	967
EPWP								1,000		
								90,528	103,891	131,009
DoRA capital										
MIG								27,381	29,019	30,853
Nat. Electrification Programme								8,000	5,000	10,000
								35,381	34,019	40,853
Trend										
Change in consumer debtors (current and non-current)	(72,695)	5,525	(63,493)	336,808	(315,367)	1,639	1,728	–	–	–
Total Operating Revenue	396,393	161,171	169,700	168,548	170,957	170,957	170,957	176,688	187,198	196,853
Total Operating Expenditure	141,755	198,349	378,133	372,119	371,186	371,186	371,186	309,055	326,442	343,694
Operating Performance Surplus/(Deficit)	254,638	(37,177)	(208,433)	(203,571)	(200,229)	(200,229)	(200,229)	(132,367)	(139,243)	(146,841)
Cash and Cash Equivalents (30 June 2012)								238,157		
Revenue										
% Increase in Total Operating Revenue		(59.3%)	5.3%	(0.7%)	1.4%	0.0%	0.0%	3.4%	5.9%	5.2%
% Increase in Property Rates Revenue		32.7%	(2.9%)	(36.0%)	0.0%	0.0%	0.0%	18.8%	5.3%	4.9%
% Increase in Electricity Revenue		22.3%	(1.3%)	71.0%	1.1%	0.0%	0.0%	2.4%	5.3%	4.9%
% Increase in Property Rates & Services Charges		24.0%	1.4%	19.3%	0.8%	0.0%	0.0%	(2.9%)	5.3%	4.9%
Expenditure										
% Increase in Total Operating Expenditure		39.9%	90.6%	(1.6%)	(0.3%)	0.0%	0.0%	(16.7%)	5.6%	5.3%
% Increase in Employee Costs		20.4%	15.6%	30.0%	(5.8%)	0.0%	0.0%	(9.2%)	5.4%	5.4%
% Increase in Electricity Bulk Purchases		37.8%	32.5%	2.3%	0.0%	0.0%	0.0%	(0.0%)	5.3%	4.9%

Average Cost Per Budgeted Employee Position (Remuneration)			150688.6443	238943.3962				181049.7833		
Average Cost Per Councillor (Remuneration)			0	0				0		
R&M % of PPE	0.6%	1.2%	1.5%	2.6%	2.5%	2.5%		2.3%	0.0%	0.0%
Asset Renewal and R&M as a % of PPE	1.0%	1.0%	2.0%	26.0%	0.0%	51.0%		9.0%	20.0%	7.0%
Debt Impairment % of Total Billable Revenue	15.1%	0.0%	90.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Capital Revenue</u>										
Internally Funded & Other (R'000)	–	–	–	–	–	–	–	80	–	–
Borrowing (R'000)	–	–	–	–	–	–	–	–	–	–
Grant Funding and Other (R'000)	16,642	27,009	20,913	34,700	34,700	34,700	34,700	35,381	34,019	40,853
Internally Generated funds % of Non Grant Funding	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Borrowing % of Non Grant Funding	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.8%	100.0%	100.0%
<u>Capital Expenditure</u>										
Total Capital Programme (R'000)	16,642	27,009	20,913	34,700	34,700	34,700	34,700	35,381	34,019	40,853
Asset Renewal	–	–	–	–	–	–	–	17,025	6,174	3,011
Asset Renewal % of Total Capital Expenditure	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	48.0%	18.1%	7.4%
<u>Cash</u>										
Cash Receipts % of Rate Payer & Other	195.6%	201.8%	234.5%	17.4%	17.1%	17.1%	17.1%	80.0%	79.2%	79.6%
Cash Coverage Ratio	0	0	0	0	0	0	0	0	0	0
<u>Borrowing</u>										
Credit Rating (2009/10)								0		
Capital Charges to Operating	(0.1%)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Borrowing Receipts % of Capital Expenditure	0.0%	(431537.1%)	(1149829.8%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Reserves</u>										
Surplus/(Deficit)	(293,358)	(239,940)	(218,752)	24,398	23,396	23,356	23,314	32,205	30,603	32,382
<u>Free Services</u>										
Free Basic Services as a % of Equitable Share	0.0%	0.0%	0.7%	0.6%	0.6%	0.6%		0.6%	0.5%	0.4%
Free Services as a % of Operating Revenue (excl operational transfers)	0.0%	0.0%	9.9%	3.1%	3.1%	3.1%		3.2%	3.1%	3.1%
<u>High Level Outcome of Funding Compliance</u>										
Total Operating Revenue	396,393	161,171	169,700	168,548	170,957	170,957	170,957	176,688	187,198	196,853
Total Operating Expenditure			378,133							

			141,755	198,349		372,119	371,186	371,186	371,186	309,055	326,442	343,694
Surplus/(Deficit) Budgeted Operating Statement			254,638	(37,177)	(208,433)	(203,571)	(200,229)	(200,229)	(200,229)	(132,367)	(139,243)	(146,841)
Surplus/(Deficit) Considering Reserves and Cash Backing			(38,720)	(277,117)	(427,185)	(179,173)	(176,832)	(176,872)	(176,915)	(100,162)	(108,641)	(114,459)
MTREF Funded (1) / Unfunded (0)		15	0	0	0	0	0	0	0	0	0	0
MTREF Funded ✓ / Unfunded ×		15	×	×	×	×	×	×	×	×	×	×

The municipality has put about 48% of its budget on asset renewal in 2013/2014 compared to other previous years,a 9% on repairs and maintainance during 2013/2014 because most of our infrastructure is new and less need to be allocated on repairs.

10. Expenditure on allocations and grant programmes

The 2013/2014 capital projects are as follows

PROJECT NAME	AMOUNT
Mbangayiya roads	R5 725 557.69
Babanango community hall	R5 080 567.64
Unit C roads	R14 314 531.87
Unit A & B South halls renovations	R900 000.00
Multi-purpose hall renovations	R1 810 342.80
Electrification of households	R8 000 000.00
TOTAL CAPITAL EXPENDITURE	R35 381 000.00

KZN266 Ulundi - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
RECEIPTS:	1, 2									
-										
Operating Transfers and Grants										
National Government:		70,798	58,551	70,724	80,531	81,531	81,531	90,528	103,891	131,009
Local Government Equitable Share		69,313	56,601	68,274	78,231	78,231	78,231	87,088	101,357	128,392
Municipal Systems Improvement		735	750	1,000	800	800	800	890	934	967
Finance Management		750	1,200	1,450	1,500	1,500	1,500	1,550	1,600	1,650
EPWP						1,000	1,000	1,000		
Other transfers/grants [insert description]										
Provincial Government:		–	–	–	601	601	451	845	890	934
Sport and Recreation					150	150				
Libraries					115	115	115	139	147	154
Libraries					336	336	336	706	743	780
District Municipality:		–	–	–	50	50	50	50	53	56
Tourism grant					50	50	50	50	53	56
Other grant providers:		–	–	–	–	–	–	–	–	–
[insert description]										

Total Operating Transfers and Grants	5	70,798	58,551	70,724	81,182	82,182	82,032	91,423	104,834	131,999
Capital Transfers and Grants										
National Government:		16,642	27,009	–	34,700	42,700	42,700	35,381	34,019	40,853
Municipal Infrastructure Grant (MIG)		12,488	24,633		26,700	26,700	26,700	27,381	29,019	30,853
Rural Households Infrastructure		4,154	2,377		8,000	16,000	16,000	8,000	5,000	10,000
Other capital transfers/grants [insert desc]										
Provincial Government:		–	–	–	–	–	–	–	–	–
Other capital transfers/grants [insert description]										
District Municipality:		–	–	–	–	–	–	–	–	–
Tourism grant										
Other grant providers:		–	–	–	1,191	1,191	1,191	80	–	–
Internally generated funds					1,191	1,191	1,191	80		
Total Capital Transfers and Grants	5	16,642	27,009	–	35,891	43,891	43,891	35,461	34,019	40,853
TOTAL RECEIPTS OF TRANSFERS & GRANTS		87,440	85,560	70,724	117,073	126,073	125,923	126,884	138,853	172,852

11. **EMPLOYEE RELATED COSTS**

KZN266 Ulundi - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
-	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		9,591	9,081	10,443	10,981	10,981	10,981	7,884	7,884	7,884
Pension and UIF Contributions								1,076	1,076	1,076
Medical Aid Contributions										
Motor Vehicle Allowance								2,751	2,751	2,751
Cellphone Allowance								804	804	804
Housing Allowances										
Other benefits and allowances										
Sub Total - Councillors		9,591	9,081	10,443	10,981	10,981	10,981	12,515	12,515	12,515
% increase	4		(5.3%)	15.0%	5.2%	–	–	14.0%	–	–
Senior Managers of the Municipality	2									
Basic Salaries and Wages		2,672	2,986	3,528	4,638	4,638	4,638	3,334	3,334	3,334
Pension and UIF Contributions		491	414	16				867	867	867
Medical Aid Contributions		–								
Overtime		–								
Performance Bonus		219	497	321	347	347	347	275	275	275
Motor Vehicle Allowance	3	531	748	896				1,200	1,200	1,200
Cellphone Allowance	3							36	36	36
Housing Allowances	3									
Other benefits and allowances	3							175	175	175
Payments in lieu of leave										
Long service awards										

Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Municipality		3,913	4,645	4,761	4,985	4,985	4,985	5,887	5,887	5,887
% increase	4		18.7%	2.5%	4.7%	–	–	18.1%	–	–
Other Municipal Staff										
Basic Salaries and Wages		26,969	34,454	36,742	33,236	33,236	33,236	45,314	47,761	50,340
Pension and UIF Contributions		9,748	9,983	12,081	9,235	9,235	9,235	10,594	10,594	10,594
Medical Aid Contributions		–			2,283	2,283	2,283			
Overtime		751	931	1,146	896	896	896			
Performance Bonus		360	–		68	68	68	3,016	3,016	3,016
Motor Vehicle Allowance	3	2,039	3,073	3,927				32	32	32
Cellphone Allowance	3									
Housing Allowances	3	127	129	138				154	154	154
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards		2,019	2,028	1,732						
Post-retirement benefit obligations	6									
Sub Total - Other Municipal Staff		42,013	50,598	55,765	45,718	45,718	45,718	59,110	61,557	64,136
% increase	4		20.4%	10.2%	(18.0%)	–	–	29.3%	4.1%	4.2%
Total Parent Municipality		55,517	64,324	70,970	61,685	61,685	61,685	77,512	79,959	82,538
			15.9%	10.3%	(13.1%)	–	–	25.7%	3.2%	3.2%
Board Members of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									

Other benefits and allowances	3									
Board Fees										
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Board Members of Entities		–	–	–	–	–	–	–	–	–
% increase	4		–	–	–	–	–	–	–	–
Senior Managers of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Senior Managers of Entities		–	–	–	–	–	–	–	–	–
% increase	4		–	–	–	–	–	–	–	–
Other Staff of Entities										
Basic Salaries and Wages										
Pension and UIF Contributions										
Medical Aid Contributions										
Overtime										
Performance Bonus										
Motor Vehicle Allowance	3									
Cellphone Allowance	3									
Housing Allowances	3									
Other benefits and allowances	3									
Payments in lieu of leave										
Long service awards										
Post-retirement benefit obligations	6									
Sub Total - Other Staff of Entities		–	–	–	–	–	–	–	–	–
% increase	4		–	–	–	–	–	–	–	–

Total Municipal Entities		–	–	–	–	–	–	–	–	–
TOTAL SALARY, ALLOWANCES & BENEFITS		55,517	64,324	70,970	61,685	61,685	61,685	77,512	79,959	82,538
% increase	4		15.9%	10.3%	(13.1%)	–	–	25.7%	3.2%	3.2%
TOTAL MANAGERS AND STAFF	5,7	45,926	55,243	60,526	50,703	50,703	50,703	64,997	67,444	70,023

Employees related costs take into account the Bargaining Chamber Agreement from SALGA which stipulates an increase of 6.95% as well as guideline of 5.7% from MFMA circular No. 67.Also a council has reached a resolution that all vacant posts be freezed up until a cash flow situation improved.

12. MONTHLY TARGETS FOR REVENUE AND CASHFLOW
12.1 Hereunder follows a consolidation for revenue by source and expenditure by type
MONTHLY CASH FLOWS

KZN266 Ulundi - Supporting Table SA30 Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2013/14											
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June
Cash Receipts By Source												
Property rates	395	395	395	395	395	395	395	395	395	395	395	395
Property rates - penalties & collection charges	45	45	45	45	45	45	45	45	45	45	45	45
Service charges - electricity revenue	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421	1,421
Service charges - water revenue	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - sanitation revenue	–	–	–	–	–	–	–	–	–	–	–	–
Service charges - refuse revenue	117	117	117	117	117	117	117	117	117	117	117	117
Service charges - other	–	–	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment	12	12	12	12	12	12	12	12	12	12	12	12
Interest earned - external investments	–	–	–	–	–	–	–	–	–	–	–	–
Interest earned - outstanding debtors	–	–	–	–	–	–	–	–	–	–	–	–
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–
Fines	75	75	75	75	75	75	75	75	75	75	75	75
Licences and permits	63	63	63	63	63	63	63	63	63	63	63	63
Agency services	–	–	–	–	–	–	–	–	–	–	–	–
Transfer receipts - operational	7,614	7,614	7,614	7,614	7,614	7,614	7,614	7,614	7,614	7,614	7,614	7,614
Other revenue	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027
Cash Receipts by Source	11,769	11,769	11,769	11,769	11,769	11,769	11,769	11,769	11,769	11,769	11,769	11,769

Other Cash Flows by Source												
Transfer receipts - capital	2,955	2,955	2,955	2,955	2,955	2,955	2,955	2,955	2,955	2,955	2,955	2,955
Contributions recognised - capital & Contributed assets												–
Proceeds on disposal of PPE												–
Short term loans												–
Borrowing long term/refinancing												–
Increase (decrease) in consumer deposits												–
Decrease (Increase) in non-current debtors												–
Decrease (increase) other non-current receivables												–
Decrease (increase) in non-current investments												–
Total Cash Receipts by Source	14,724	14,724	14,724	14,724	14,724	14,724	14,724	14,724	14,724	14,724	14,724	14,724
Cash Payments by Type												
Employee related costs	5,416	5,416	5,416	5,416	5,416	5,416	5,416	5,416	5,416	5,416	5,416	5,416
Remuneration of councillors	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043	1,043
Finance charges	25	25	25	25	25	25	25	25	25	25	25	25
Bulk purchases - Electricity	3,828	3,828	3,828	3,828	3,828	3,828	3,828	3,828	3,828	3,828	3,828	3,828
Bulk purchases - Water & Sewer	–	–	–	–	–	–	–	–	–	–	–	–
Other materials	–	–	–	–	–	–	–	–	–	–	–	–
Contracted services	4,896	4,896	4,896	4,896	4,896	4,896	4,896	4,896	4,896	4,896	4,896	4,896
Transfers and grants - other municipalities	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and grants - other	–	–	–	–	–	–	–	–	–	–	–	–
Other expenditure	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215	2,215
Cash Payments by Type	17,424	17,424	17,424	17,424	17,424	17,424	17,424	17,424	17,424	17,424	17,424	17,424
Other Cash Flows/Payments by Type												
Capital assets												–
Repayment of borrowing												–

Other Cash Flows/Payments												–	
Total Cash Payments by Type	17,424	17,424	17,424	17,424	17,424	17,424	17,424	17,424	17,424	17,424	17,424	17,424	
NET INCREASE/(DECREASE) IN CASH HELD	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(2,700)	(3
Cash/cash equivalents at the month/year begin:	6,444	3,744	1,045	(1,655)	(4,355)	(7,054)	(9,754)	(12,454)	(15,153)	(17,853)	(20,553)	(23,252)	
Cash/cash equivalents at the month/year end:	3,744	1,045	(1,655)	(4,355)	(7,054)	(9,754)	(12,454)	(15,153)	(17,853)	(20,553)	(23,252)	(25,952)	(2

Service charges were projected at a collection rate of 80% from year to date collections.

13. Contract having future budgets implications

A municipality may enter into a contract which will impose financial obligations on the municipality beyond a financial year,but if the contract will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year.It must comply with MFMA Sec 33.Ulundi municipality does not have contracts having future budgetary implications.Most of our external mechanism expired in the financial year 2015/2016.

14. CAPITAL EXPENDITURE DETAILS

The following table shows the capital projects for 2013/2014 financial year

ULUNDI MUNICIPALITY - 2013 / 2014 CAPITAL EXPENDITURE BUDGET

IDP NUMBER						2010 /11	2011 /12	2012/13	2013 /14	2
	2010/11									
	Municipal Infrastructure Grant									
	Existing Taxi Rank Market Stalls					1,785,804.00				
	Mbangayiya Roads					8,505,526.00				
	Babanango Roads Collector					8,008,670.00				
	Unit A Entrance Road					5,448,068.00				
						23,748,068.00	**22,011,000.00**	**26,762,000.00**	**27,831,000**	
	2011/2012									
	Babanango Collector Road						1,812,995.00			
	Mbangayiya Roads						5,047,298.88		5,725,557.69	
	Phase 02 of Ulundi Park						2,186,030.88			
	Existing Taxi Rank Market Stalls						720,039.46			
	Mahlabathini White City roads						6,228,915.41	6,190,680.00		
	Mahlabathini town access roads						2,848,631.55	6,190,680.00		
	Nqulwane Sports Field						2,065,639.00	4,745,287.00		
	Project Management Unit - MIG						1,100,502.65			
	B-South roads							9,635,353.00		
							22,010,052.83	**26,762,000.00**		
01	**Babanango Community Hall**								5,080,567.64	
02	**Unit C Roads**								14,314,531.87	

03	**Renovations of Unit A and B -South halls**				900,000.00	
04	**Multi-purpose hall renovations**				1,810,342.80	
	INTERNAL AUDIT OFFICES				80,000.00	
					27,911,000.00	
	Intergrated National Electrification Programme	**2,490,000.00**	**8,000,000.00**	**16,000,000.00**	**8,000,000.00**	
	New Taxi rank - DOT	7,000,000.00	0			
OTHER CAPITAL EXPENDITURE TO BE FUNDED INTERNALLY					*80,000.00*	
GRANT FUNDED CAPITAL PROJECTS		**33,238,068.00**	**30,011,000.00**	**42,762,000.00**	**35,991,000.00**	**3**
INTERNAL FUNDING (Cash backed surplus which is not committed)						
TOTAL	**(ALL CAPITAL EXPENDITURE)**	**33,238,068.00**	**30,011,000.00**	**42,762,000.00**	**35,991,000.00**	**3**
ULUNDI MUNICIPALITY CONDITIONAL GRANT SCHEDULE FOR 2013/2014						
FINANCE MANAGEMENT GRANT					**1,550,000**	
MUNICIPAL SYSTEMS IMPROVEMENT GRANT					**890,000**	
EPWP					***1,000,000.00***	

COMMUNITY LIBRARY SERVICES		***139,000.00***	***1***
PROVINCIALISATION OF LIBRARIES	0	***706,000.00***	***7***
UNCONDITIONAL GRANT			
EQUITABLE SHARE		***87,088,000.00***	***1***
TOTAL GRANTS		***127,551,500.00***	***1***

KZN266 Ulundi - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2009/10	2010/11	2011/12	Current Year 2012/13				2013/14 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Capital expenditure - Vote											
Multi-year expenditure *to be appropriated*	2										
Vote 1 - GOVERNMENT & ADMINISTRATION		–	–	–	–	–	–	–	–	–	–
Vote 2 - Community & Public Safety		–	–	–	–	–	–	–	–	–	–
Vote 3 - Economic & Enviromental Services		12,488	24,633	20,522	26,700	26,700	26,700	26,700	27,381	29,019	30,853
Vote 4 - Trading Services		4,154	2,377	391	8,000	8,000	8,000	8,000	8,000	5,000	10,000
Vote 5 - [NAME OF VOTE 5]		–	–	–	–	–	–	–	–	–	–
Vote 6 - [NAME OF VOTE 6]		–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–

Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital multi-year expenditure sub-total	7	16,642	27,009	20,913	34,700	34,700	34,700	34,700	35,381	34,019	40,853
Single-year expenditure *to be appropriated*	2										
Vote 1 - GOVERNMENT & ADMINISTRATION		–	–	–	–	–	–	–	–	–	–
Vote 2 - Community & Public Safety		–	–	–	–	–	–	–	–	–	–
Vote 3 - Economic & Enviromental Services		–	–	–	–	–	–	–	–	–	–
Vote 4 - Trading Services		–	–	–	–	–	–	–	–	–	–
Vote 5 - [NAME OF VOTE 5]		–	–	–	–	–	–	–	–	–	–
Vote 6 - [NAME OF VOTE 6]		–	–	–	–	–	–	–	–	–	–
Vote 7 - [NAME OF VOTE 7]		–	–	–	–	–	–	–	–	–	–
Vote 8 - [NAME OF VOTE 8]		–	–	–	–	–	–	–	–	–	–
Vote 9 - [NAME OF VOTE 9]		–	–	–	–	–	–	–	–	–	–
Vote 10 - [NAME OF VOTE 10]		–	–	–	–	–	–	–	–	–	–
Vote 11 - [NAME OF VOTE 11]		–	–	–	–	–	–	–	–	–	–
Vote 12 - [NAME OF VOTE 12]		–	–	–	–	–	–	–	–	–	–
Vote 13 - [NAME OF VOTE 13]		–	–	–	–	–	–	–	–	–	–
Vote 14 - [NAME OF VOTE 14]		–	–	–	–	–	–	–	–	–	–
Vote 15 - [NAME OF VOTE 15]		–	–	–	–	–	–	–	–	–	–
Capital single-year expenditure sub-total		–	–	–	–	–	–	–	–	–	–
Total Capital Expenditure - Vote		16,642	27,009	20,913	34,700	34,700	34,700	34,700	35,381	34,019	40,853
Capital Expenditure - Standard											
Governance and administration		–	–	–	–	–	–	–	–	–	–
Executive and council											
Budget and treasury office											
Corporate services											
Community and public safety		–	–	–	–	–	–	–	–	–	–
Community and social services											
Sport and recreation											
Public safety											
Housing											
Health											
Economic and environmental services		12,488	24,633	20,522	26,700	26,700	26,700	26,700	27,381	29,019	30,853

Planning and development											
Road transport		12,488	24,633	20,522	26,700	26,700	26,700	26,700	27,381	29,019	30,853
Environmental protection											
Trading services		4,154	2,377	391	8,000	8,000	8,000	8,000	8,000	5,000	10,000
Electricity		4,154	2,377	391	8,000	8,000	8,000	8,000	8,000	5,000	10,000
Water											
Waste water management											
Waste management											
Other											
Total Capital Expenditure - Standard	3	16,642	27,009	20,913	34,700	34,700	34,700	34,700	35,381	34,019	40,853
Funded by:											
National Government		16,642	27,009	20,913	34,700	34,700	34,700	34,700	35,381	34,019	40,853
Provincial Government											
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	16,642	27,009	20,913	34,700	34,700	34,700	34,700	35,381	34,019	40,853
Public contributions & donations	5										
Borrowing	6										
Internally generated funds									80		
Total Capital Funding	7	16,642	27,009	20,913	34,700	34,700	34,700	34,700	35,461	34,019	40,853

15. LEGISLATION COMPLIANCE STATUS

The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) became effective on 1 July 2004. Elements of the act have been phased in according to capacity of each municipality – high, medium and low.
The LG:MFMA has introduced significant changes to the financial management of local government. One of the main changes in budget preparation is that the single year, line item budgeting – which was a common feature of the previous practices – has been replaced by multi-year budgeting at a more strategic level.

The LG: MFMA aim to modernize budget and financial practices at all spheres of government, thereby facilitating effective service delivery. The general public plays an important role in ensuring a budget is set to reflect targeted service delivery. For example, during the budget preparation process, Section 21 of the LG: MFMA requires communities and residents within the municipal jurisdiction to be part of the Budget and Integrated Development Planning (IDP) processes.

Communities can also monitor the performance of the approved budget through regular reporting of the Service Delivery & Budget Implementation Plan (SDBIP) and the performance contracts of senior manager. These are prepared at the same time as the budget, thus ensuring alignment at the start of the financial year.

Some of the key budget reforms encapsulated within the LG: MFMA, that KZN 266 has applied, are:

- Forward looking, multi-year budgets with strategic focus;
- Clear links between budget allocations and agreed policies;
- Improved integration of budget and planning processes;
- New budget process timetable with earlier adoption of budgets by council and earlier audits of Annual Financial Statements;
- Improved in-year reporting according to vote/function;
- Improved financial management information;
- Service Delivery and Budget Implementation Plans (SDBIP) developed and approved with budgets;
- New accounting norms and standards;
- Improvements to procurement and Supply Chain Management policies and processes;
- Focus on performance measurement,

The LG: MFMA implementation is monitored through regular reporting including:

- Quarterly reviews of LG: MFMA implementation plans and 12 urgent implementation priorities checklist;
- Monthly returns to National Treasury and monthly reports to Mayor and Council, as required by Section 71;
- Publication of information on the municipalities website (www.ulundi.gov.za) and
- Mid-year budget and performance assessment as required by Section 72

The Budget and Medium Term Revenue and Expenditure Framework (MTREF) was prepared taking cognizance of the contents of the Municipal budget and reporting regulations, Local Government: Municipal Finance Management Act No 56 of 2003, Circular No. 51 and the LG:MFMA Budget Formats Guide received from National Treasury.

The objective of the regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities and municipal entities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting processes of those institutions and other relevant matters as required by the Act.

OTHER LEGISLATION

The other important pieces of legislation when considering the budget processes are:

• The Division of Revenue Bill 2010 and

• The Municipal Systems Act (Act no. 32 of 2000), together with the Municipal Systems Amendment Act (Act No. 44 of 2003)

Division of Revenue Bill 2010

This Bill issued in February annually, provides the three year allocations from national government to local government. It sets out all the reporting requirements and conditions relating to the grants. Alongside this Provincial Departments allocate funding to local government by means of a provincial gazette.

These allocations are used when preparing the three year budget in order to comply with Section 18 of the LG: MFMA (relating to reasonably anticipated revenues to be collected). Additional allocations – both nationally and provincially – are sometimes made to municipalities. However, these are not included in the original budget as the allocations are not certain. When confirmed they will be included in an adjustments budget in accordance with Section 28 of the LG: MFMA.

The Municipal Systems Act (Act no. 32 of 2000) and the Municipal Systems Amendment Act (Act No. 44 of 2003)

These acts form the basis of the links between the budget and the Integrated Development Plan (IDP). In particular, the aspects that have been considered in preparing the budget are:

• Community participation (Chapters 4 & 5);

Performance management (Chapter 6) providing also the basis for measurable performance objectives in the Service Delivery and Budget Implementation Plan (SDBIP); and Tariff Policy (Chapter 8).

16. Municipal manager’s quality certificate